PRESS RELEASE

ESMA Study Finds that Charges Eradicate Returns - It's Even Worse

30 October 2017 – BETTER FINANCE thanks ESMA for its study on the impact of fees and inflation on fund performance.

The ESMA study is yet another confirmation of the independent research published every year by BETTER FINANCE on the real return of long-term and pension savings.

BETTER FINANCE is also happy that ESMA is endorsing key elements of the BETTER FINANCE return computation methodology: returns after inflation (EU citizens are subject to the "monetary illusion" and long-term nominal returns aren't too meaningful and even misleading), and after entry to exit fees as well as ongoing ones.

BETTER FINANCE urges that ESMA extend the time horizon of its study, as two years (2013-2015) is much too short for equity investment funds (the recommended minimum holding period is typically 5 years, and the funds' mandatory "KIID" (Key Investor Information Document) requires the disclosure of a minimum of 10 year past performances).

Also, 2013-2015 are years of good equity market performance. Other two year periods would have shown different results.

Lastly, BETTER FINANCE stresses that EU households invest only 7% of their financial savings into funds. Most of their long term financial savings are held via even more "packaged" retail investment products such as life insurance and personal pension products, which typically add another layer of fees to those uncovered in the ESMA study.

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu